

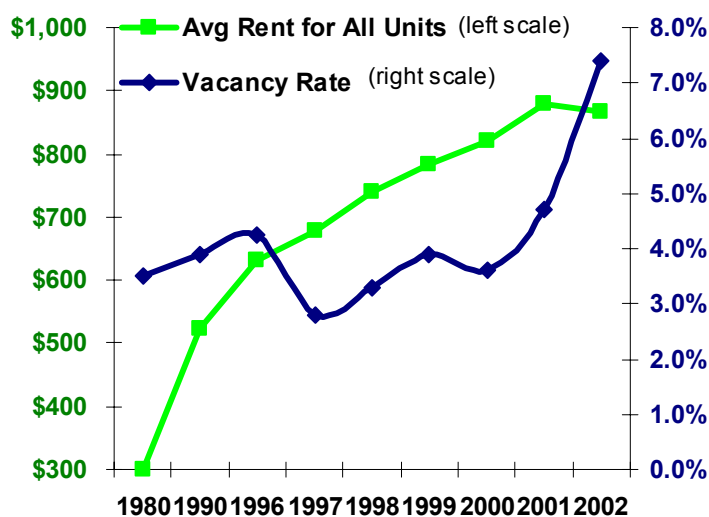
Vacancies Way Up, Rents Decline Slightly in 2002

Trends that have characterized the apartment rental sector in King County over the last half decade appear to be reversing. As the late nineties brought historic lows in vacancy rates, supply became tight and rents soared from an average of \$630 for all units in 1996 to \$880 in 2001. A typical two bedroom, one bath unit went from an average of \$622 in 1996 to \$839 in 2001.

This past year, however, supply has once again begun to exceed demand, and the vacancy rate reached 7.4%, its highest level in over 20 years. In addition to some new multifamily rentals coming on the market, there could be several other contributors to this trend. On the negative side, high unemployment may mean that households are leaving the area, or forced to look for housing in an adjacent county with lower rents. From a positive perspective, historically low mortgage interest rates may be enticing higher-income rental households into the home purchase market for the first time.

A third potential influence may be the fact that insurance for condominium development has become very expensive, and some developers are converting to the multifamily rental market, causing supply to swell.

For the first time in many years, average rents have actually fallen for all units (from \$880 in 2001 to \$866 in 2002), and for the typical two bedroom, one bath unit (from \$839 in 2001 to \$837 in 2002). While these are small reductions in dollar terms, they are a significant trend. Income growth is slowing but it is still moving in a positive direction.



Rate of Increase in Income and Rent: 1980 - 2002

Year	Median Household Income	Annual Percent Increase in Median HH Income	Average Rent for All MultiFamily Units	Annual Percent Increase in Avg Rent
1980	\$ 20,700		\$ 300	
1990	\$ 36,200	5.7%	\$ 522	5.7%
1996	\$ 44,900	3.7%	\$ 630	3.2%
1997	\$ 46,850	4.3%	\$ 677	7.5%
1998	\$ 50,150	5.7%	\$ 739	8.3%
1999	\$ 53,200	6.1%	\$ 782	5.8%
2000	\$ 55,900	5.1%	\$ 819	4.7%
2001	\$ 61,400	9.8%	\$ 880	7.4%
2002	\$ 65,420	6.5%	\$ 866	-1.6%
1980 - 2002				
Average Annual Rate of Increase		5.4%		4.9%
1997 - 2002				
Average Annual Rate of Increase		6.9%		5.0%

While rental costs are likely to remain fairly stable this year, because of the high vacancy rate, renters under 40-50% of median income will still find it very difficult to find affordable places to live. Average rental units at \$866 (\$837 for a two-bedroom, one bath unit), require an income in the range of \$33,000- \$35,000 per year, or about \$17.00 per hour.

Average Rents in Three Areas of King County

	All Units	Studio	One BR	Two BR, 1 BA	2 BR, 2 BA	3 BR
Downtown Seattle	\$ 1,156	\$ 773	\$ 1,116	\$ 1,266	\$ 1,757	\$ 2,791
Auburn	\$ 711	\$ 514	\$ 592	\$ 678	\$ 804	\$ 904
Bothell	\$ 852	\$ 612	\$ 729	\$ 869	\$ 947	\$ 1,202
All King Cty	\$ 866	\$ 662	\$ 763	\$ 837	\$ 1,022	\$ 1,145

At 40% of median income - around \$25,000 for a two person household - that household could only afford about \$625 in rent. But most units available below that price range are studios, or infrequently, one bedroom units. In 2002 there were nearly 70,000 rental households at or below this income level. Roughly 30,000 subsidized units are available for these households, but that leaves 40,000 of the poorest households still seeking market-rate housing. At market rates, there are very few affordable rental units available to meet the needs of these 40,000 households.